

Rule 26.4. New Source Review - Emission Banking (Adopted 10/22/91, Revised 2/13/96, 1/13/98, 5/14/02)

A. Applicability

This Rule provides for the banking of emission reductions of reactive organic compounds (ROC), nitrogen oxides (NOx), particulate matter (PM10), and sulfur oxides (SOx). Eligibility standards and administrative practices are included to ensure that any emission reductions intended to be banked are real, quantifiable, permanent, enforceable, and surplus.

B. Requirements

1. Only emission reductions which are real, quantifiable, permanent, enforceable, and surplus shall be eligible for banking.
2. Emission reductions, which result from emissions units subject to a tactic on the date the application to bank emission reduction credits is deemed complete, shall be eligible for banking if such application is deemed complete before the effective date of a rule implementing the tactic. An emissions unit shall be subject to a tactic if on the date the application to bank is deemed complete a tactic exists for such emissions unit, regardless of the implementation date of the tactic.
3. Emission reductions, which result from emissions units subject to a further study measure on the date the application to bank emission reduction credits is deemed complete, shall be eligible for banking if such application is deemed complete before the adoption date of a rule implementing the further study measure. An emissions unit shall be subject to a further study measure if on the date the application to bank is deemed complete a further study measure exists for such emissions unit, regardless of the implementation date of the further study measure.
4. Any person who has modified or taken out of service any permitted emissions unit for the purpose of receiving emission reduction credits must surrender existing permits to operate for the emissions unit involved before a certificate of Emissions Reduction Credit can be granted.
5. Emission reductions, which result from gasoline dispensing facilities which dispense gasoline into the fuel tanks of motor vehicles or marine pleasure craft shall not be eligible for banking.
6. If an emission reduction at a stationary source makes all or part of a community emission reduction credit eligible for return to the community bank, such credit shall only be available for return to the community bank and shall not be available for banking pursuant to this rule.

7. Emission reductions occurring after January 1, 1991, from emission units that were and remain exempt from the district requirement to have a Permit to Operate shall be eligible for banking.

C. Emission Reduction Discounts

1. Emission reductions which result from the shutdown of an emissions unit, or a reduction in throughput of an emissions unit shall be discounted by the greater of the following:
  - a. The amount of the emission reduction that could be controlled by the application of the best available control technology applicable on the date the application to bank emission reduction credits is deemed complete.
  - b. 20 percent.
2. Emission reductions which result from the application of control equipment, a modified emissions unit, or the replacement of an emissions unit with a lower emitting emissions unit shall be discounted by 10 percent.

Notwithstanding the requirements of subsections C.1 and C.2, emission reductions banked pursuant to subsection B.7 shall not be discounted.

D. Limitations on the Usage of Emission Reduction Credits

1. Emission reduction credits which result from emissions units which are subject to a tactic on the date the application to bank emission reduction credits is deemed complete, and any offsets obtained with these emission reduction credits, shall be reduced to zero after the effective date of a rule implementing the tactic. The emission reduction credits shall not be reduced to zero if the APCO determines that the proposed emission reduction will result in an emission level below the level specified in the AQMP for implementation of the tactic, and the excess amount of emission reductions meets all other eligibility requirements. In this event only the excess emission reduction may be permanently banked.
2. Emission reduction credits which result from emissions units which are subject to a further study measure on the date the application to bank emissions reductions is deemed complete and provided such application is deemed complete after December 19, 1989, and any offsets obtained with these emission reduction credits, shall be reduced by 50 percent after the effective date of a rule implementing the further study measure. If a further study measure is identified in any state or local rule or regulation which was adopted before the date the application to bank emission reduction credits is deemed complete, or identified as a control measure for adoption in any state or local implementation plan which was adopted before the date the application to bank emission reduction credits is deemed complete, any emission reduction credits identified in the previous sentence shall be reduced to

zero after the effective date of a rule implementing the further study measure.

3. Emission reduction credits which result from the shutdown of an emissions unit, or a reduction in throughput or hours of operation of an emissions unit at a stationary source, shall not be used as offsets at a different stationary source where the potential to emit would exceed the limits specified in Table D-1, unless the applicant can establish the following:
  - a. The shutdown, or reduction in throughput or hours of operation occurred after August 7, 1977, and
  - b. The proposed new or modified stationary source is a replacement for the shutdown or curtailment.

Table D-1

ROC	25.0	ton/yr
NOx	25.0	ton/yr

E. Application for and Determination of Emission Reduction Credits

1. Any person wishing to be credited with an emission reduction for the purpose of banking shall submit an application to the District. An application to bank emission reduction credits must be submitted to the District before any emissions unit is modified to reduce emissions. However, an application to bank emission reduction credits may be submitted at any time if the emission reduction results from a decrease in throughput or a shutdown. If the emission reduction occurs as a result of permit activity requiring an application for an Authority to Construct, the Authority to Construct application shall serve as the application to bank emission reduction credits.
2. The APCO shall deny any application to bank emission reduction credits if the applicant fails to provide sufficient information to calculate the emission reduction, to determine the quarterly emissions profile of the emission reduction, to determine the location at which the emission reduction occurred, or to determine if the emission reduction is real, quantifiable, permanent, enforceable, and surplus.
3. An application to bank emission reduction credits shall be treated and processed in the same manner as an Authority to Construct or Permit to Operate application.
4. Based on the application evaluation, the APCO may determine that all, part, or none of the emission reductions can be certified as emission reduction credits.

F. Emission Reduction Credit Registration and Transfer

1. Registration of Title

The District shall issue a certificate to the applicant identifying the emission reduction credits, the location at which the emission reduction occurred, the quarterly profile of the emission reduction credit, and any emission reduction credits that could be subject to reductions pursuant to subsections D.1 and D.2. In cases involving an appeal of the APCO's decision, issuance of the certificate shall be subject to the outcome of the appeal.

2. Transfer by Registered Owner

An emission reduction credit certificate may be transferred from one person to another in whole or in part. The registered owner of the certificate shall submit a written request to the District stating what portion of the emission reduction credit is to be transferred. The District shall issue a revised emission reduction credit certificate to the prior owner and a new emission reduction credit certificate to the new owner upon payment of the transfer of ownership fees required by Rule 42. If the transfer occurs as a result of permit activity requiring an application for an Authority to Construct, and no new certificate is required to be issued to the new owner, the transfer of ownership fee shall be waived.

3. Temporary Use of Emission Reduction Credits

The provisions of this section shall apply to the use of emission reduction credits as temporary emission offsets for the emission increases from a project. The provisions of this section shall apply only if the District is notified that use of the emission reduction credits will be temporary at the time the application for the project is submitted to the District.

Any project for which temporary emission reduction credits are used shall terminate, or permanent emission reduction credits shall be obtained, within the 3 year period beginning the date a revised emission reduction credit certificate indicating the temporary use of the credits is issued by the District. When the project is terminated or permanent emission reduction credits are obtained, the registered owner of the emission reduction credits must apply to re-bank the emission reduction credits.

If temporary emission reduction credits are to be used for a project, the amount of credits required shall be determined in accordance with the provisions of Rule 26.2.B. Notwithstanding Rule 26.5.B.1.c, the District shall not deposit in the community bank the portion of the emission reduction credit which is used as an offset at a tradeoff ratio greater than 1.0. When the emission reduction credits are re-banked, the portion of the emission reduction credit which is used as an offset at a tradeoff ratio

greater than 1.0 shall be returned to the emission reduction credit certificate. Furthermore, notwithstanding Rule 26.4.C, the emission reduction credits shall not be discounted when the credits are re-banked.

Temporary emission reduction credits may not be used to offset any emission increase resulting from a new major source or major modification.

G. Existing Emission Reduction Credits

Existing emission reduction credits shall be considered to be emission reduction credits pursuant to this Rule with the following conditions:

1. ROC and NOx credit balances shall be discounted by 25 percent and this reduction shall be deposited into the community bank. Any ROC or NOx emission reduction credits which are temporarily transferred to another stationary source on October 22, 1991, shall be discounted pursuant to this subsection upon their return to the bank.
2. Particulate matter balances shall be recalculated as the PM-10 fraction of the particulate matter balances.
3. Carbon monoxide balances shall be eliminated.
4. SOx balances shall remain unchanged.
5. Any limitations on the use of existing emission reduction credits that applied to the emission reduction credit under Rule 26 as it existed prior to October 22, 1991, shall continue to apply to the use of the emission reduction credit. These limitations shall be described on the reissued certificates of emission reduction credit.
6. All balances shall be expressed on tons per year basis and all references to pounds per hour shall be deleted.
7. A quarterly emissions profile shall be determined for all existing emission reduction credits based on the best information available.